

# ANALYSIS OF ORIGINAL BILL

## Franchise Tax Board

Author: Chavez Analyst: Rachel Coco Bill Number: AB 132  
Related Bills: See Legislative History Telephone: 845-4328 Introduced Date: January 16, 2003  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** California Fund For Senior Citizens/Extend Repeal Date To January 1, 2010

### SUMMARY

This bill would extend the California Fund For Senior Citizens voluntary contribution designation on the personal income tax return to January 1, 2010.

### PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to continue to provide a mechanism for taxpayers to make charitable contributions on their tax returns to the California Fund For Senior Citizens.

### EFFECTIVE/OPERATIVE DATE

This bill would become effective and operative January 1, 2004.

### POSITION

Pending.

### ANALYSIS

#### FEDERAL/STATE LAW

Current federal tax law provides a true checkoff to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect a taxpayer's tax liability or refund amount.

Current state tax law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 11 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's (FTB's) and the Controller's actual costs to administer the fund.

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates that all funds, except the California Seniors Special Fund must meet a minimum contribution test (as indexed, if required) to remain on the return. Attachment II is a chart indicating the number and dollar amount of contributions to the funds for multiple fiscal years.

#### Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ PENDING

Department Director  
Gerald H. Goldberg

Date  
02/07/03

## THIS BILL

This bill would extend the expiration date of the California Fund For Senior Citizens from January 1, 2005, to January 1, 2010. This fund would last appear on the 2009 individual income tax return.

## IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

## **LEGISLATIVE HISTORY**

SB 1082 (Vasconcellos, 2001) would have made changes to the minimum contributions amount requirement for the California Fund for Senior Citizens. This bill failed passage from the Assembly Revenue and Taxation Committee.

AB 137 (Correa, et al., 2003) would remove the California Fund for Senior Citizens repeal date and the minimum contribution amount requirement. This bill is currently in the Assembly Revenue & Taxation Committee.

AB 1697 (Commission on Aging & Long Term Care, Stats. 1999, Ch. 228) added a sunset date of January 1, 2005, and required that the California Fund for Senior Citizens meet the minimum contribution amount.

## **PROGRAM BACKGROUND**

Eleven voluntary contribution funds appeared on the 2002 California personal income tax returns. Total contributions to these funds have varied from approximately \$3.4 million in 1989/1990 to approximately \$3.9 in 2001/2002. The number of individuals contributing (first tabulated in 1993) remains fairly constant at approximately 140,000, or slightly less than 1% of all taxpayers. For fiscal year 2001/2002, the California Fund for Senior Citizens received \$273,073 from 36,317 personal income tax returns.

## **OTHER STATES' INFORMATION**

*Illinois, Massachusetts, Michigan, Minnesota, and New York* laws do not provide a voluntary contribution fund comparable to the voluntary contribution fund allowed by this bill. The laws of these states were reviewed because their tax laws are similar to California's income tax laws.

## **FISCAL IMPACT**

This bill would not significantly impact the department's costs.

## **ECONOMIC IMPACT**

### Revenue Estimate

If the minimum level of contributions is achieved each year, as adjusted for inflation (approximately \$270,000 in 2001/2002), potential revenue losses would be very minor, on the order of \$16,000 annually beginning with the 2003/2004 fiscal year. The loss would result from itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

### Revenue Discussion

According to departmental data, the total amount of existing voluntary contributions to all funds was nearly \$4 million for fiscal year 2001/2002 with an average of \$280,000 per individual designated fund.

Assuming contributions equal or exceed the minimum contribution threshold, as adjusted for inflation, and all contributors itemize deductions, the annual revenue loss would be on the order of \$16,000 by applying an average marginal tax rate of 6%.

## **LEGISLATIVE STAFF CONTACT**

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